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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO UPDATE ITS ELECTRIC LINE EXTENSION SCHEDULE 51	))))))	**CASE NO. AVU-E-15-03** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Daphne Huang, Deputy Attorney General, submits the following comments in response to Order No. 33270, issued April 7, 2015.

BACKGROUND

On March 31, 2015 Avista Corporation ("Company") filed an Application with the Idaho Public Utilities Commission ("Commission") proposing various revisions to Schedule 51 regarding the Company's line extension, conversion, and relocation charges. In Order No. 28562, issued November 27, 2000, the Commission directed Avista to update its Schedule 51 charges on or before April 1 each year. The purpose of the annual filing is to update the Company's line extension charges to reflect actual costs incurred in the previous calendar year. The Company requests an effective date of May 18, 2015.

COMPANY APPLICATION

In its Application, the Company stated that it implemented a new work and asset management system, called Maximo, on February 7, 2015. The Company uses Maximo to create work orders for service and emergency calls, construction jobs for customers, and Company operations. According to the Company, Maximo compares job estimates to actual job costs, and provides data that enables the Company to perform more precise Schedule 51 cost estimates.

The Company also proposes updating its residential development costs to reflect recent changes to construction material costs as detailed below.

Residential Developments

	Present	**Proposed**
Total Cost per Lot	$1,596	$1,705
Less: Service Cost	$ 485	$ 417
Developer Responsibility	**$1,111**	**$1,288**
Developer Refundable payment	$1,111	$1,288
Builder Payment	$ 46	$ 155
Allowance	$1,550	$1,550

Staff notes that in Order No. 33031, the Commission directed the Company to seek allowance updates after each general rate case. The Company is not proposing to change the allowance.

The Company proposes to revise the language on Sheet 51C related to calculation of exceptional costs for overhead extensions longer than 1,500 feet. According to the Company, the current method has been confusing for customers and Company employees, and it shifts some costs to all customers rather than to the customer requesting service. According to the Company, removing this section would fully assign exceptional project costs to the customer requesting service.

The Company is also proposing that it remove language relating to three phase primary line extensions entirely from Schedule 51. According to the Company, three phase line extension costs are not as homogeneous as the costs of residential single phase line extensions, and are better charged-out on a case-by-case basis.

The Company proposes adding language to its Schedule 51 General Rules (Sheet 51, Section 2.e) to state that when the Company's electric facilities have been removed or disconnected from a property for longer than 12 months, a customer requesting that service be re-established will be treated as a new customer and granted an allowance.

The Company also proposes increasing its exception for refunding money to customers with a share of a previous extension (Sheet 51E Section 6). Currently, if the refund due to an existing customer is less than $50, the new customer is not required to pay that share, and the existing customer will not receive a refund. Avista proposes increasing the exception from $50 to $100.

STAFF REVIEW

Staff conducted a thorough review of the Company's proposed Schedule 51 changes. Staff believes that the language on Sheet 51C, related to calculation of exceptional costs for overhead extensions longer than 1,500 feet, is unnecessarily complicated, and concurs with the Company's proposal to remove Section 3.b.4.j from Schedule 51. Under this change, charges for all overhead extensions would be calculated using the same methodology.

Staff also examined the Company's proposed addition of Section 2.e on Sheet 51. According to the Company, this change is proposed as a result of a case in Avista's Washington jurisdiction. In that case, the Company had once provided an electric distribution line to a piece of property. The distribution line was never used, and the Company removed the line of its own volition. Several years later, a customer purchased the property, and argued that since the property had once received electric service, and since the Company had removed the line, the Company should bear the full cost of reinstalling a distribution line to the property. In that case, the Company was required to reinstall the distribution facilities, and then estimate the costs of extending the line from the "existing" distribution facilities. Under Avista's proposed revision, the customer would have been treated as a new customer, and would have paid the entire job cost, less the allowance. Staff notes that there are tangible costs associated with maintaining distribution lines, even if those lines are unused and not generating revenue. Staff believes the Company's policy of removing and reallocating unused equipment is a prudent and efficient use of resources, and therefore believes that the Company's proposed language is reasonable.

Schedule 51 Section 3.b.6 describes policies for refunding customers who are entitled to a share of a previous extension: New customers pay a share to Avista, and Avista refunds this amount to the existing customer. Currently, if the amount to be refunded is less than $50, the new customer is not required to pay, and the existing customer does not receive a refund. Citing the costs of accounting, collecting, and disbursing the refund, the Company proposes raising this limit from $50 to $100. Staff notes that the $50 limit has been in force since 1999, or earlier. Staff believes an increase from $50 to $100 is reasonable.

Assessment of Maximo

Based on its analysis, Staff has concluded that the costing methodology used by Maximo is consistent with Commission Order No. 28562, which found Avista's use of average unit cost to be a reasonable method for determining facilities installation costs. Maximo continues the use of cost-averaging, and tracks the individual materials and costs used in each job, so that exceptional and extra-ordinary customer requested work is excluded from its basic cost calculations.

Analysis of Line Extension Costs

Staff reviewed the Company's proposed adjustments to line extension charges, including adjustments to basic costs, developer costs, and builder costs. Citing improvements in its engineering design systems, the Company proposes decreasing its design charge from $185 to $150.

According to the Company, Maximo provides estimates that are more precise and reflective of recent costs than estimates obtained by the previous spreadsheet-based system. The Company states that Maximo is the primary factor driving this year's cost adjustments. The Company's proposed adjustments range from a decrease of 7.7% for single phase overhead transformers to an increase of 29.2% for the fixed costs associated with secondary circuits. Under the Company's proposal, basic cost for a residential development would increase 6.8%, from $1,596 to $1,705. Service Cost would decrease 14.0%, from $485 to $417, and the developer's (refundable) responsibility would increase from $1,111 to $1,288. The builder's payment would increase from $46 to $155.

Under the Company's proposed tariff changes, per-foot charges for single phase overhead primary installations would decrease by 3.7%, to $7.63, and per-foot charges for underground primary installations would increase by 3.4%, to $9.91 per foot.

Staff has reviewed the Company's workpapers, and concludes that the Company's proposed adjustments to its line extension charges are consistent with the methodologies prescribed in Commission Order Nos. 28562 and 33031.

Analysis of Proposal to Remove Three Phase Line Extensions from Schedule 51

The Company does not track the number of three phase line extensions conducted under Schedule 51, but believes that over the past 5 years, there have been between 75 and 100 Schedule 51 three phase extension jobs. According to the Company, three phase extensions are more heterogeneous in their complexity than single phase extensions, and thus less amenable to Schedule 51's cost estimation methodology. The Company proposes that language relating to three phase extensions be removed entirely from Schedule 51. Rather than prescribing costs in the Tariff, the Company would conduct an independent cost estimate for each three phase job. Staff agrees with the Company's assertion that the cost of a three phase extension is likely to be unique to a particular job, and does not oppose the Company's proposal; however, Staff believes that Schedule 51 should continue to include guidance for potential three phase customers. Staff has discussed this with the Company, and concurs with the Company's proposal to retain the following language (Section 5.c) on Sheets 51I and J:

c. Three-Phase Extensions: For Customers requiring three-phase service, as determined by the Company, before the start of construction, the Customer must submit a written application for service and pay an extension cost to the Company which is computed as follows:

	Total Estimated Extension Cost
-	Allowance
+	Customer-Requested Costs
-	Cost Reductions
-	(one) Design Fee of $150 (if paid)
+	Share of Previous Extension
=	extension cost

1) The Total Estimated Extension Cost shall include all costs which are necessary to provide service to the Customer, as determined by the Company. The amount of the Allowance will be determined individually for each Customer based on the Company's estimate of the Customer's annual energy usage and an allowance per kWh based on the applicable service schedule.

RECOMMENDATIONS

Staff believes the Company's proposals to be reasonable, and in conformance with Commission Order Nos. 28562 and 33031. Staff recommends that the Company's 2015 Schedule 51 Tariff update costs be adopted, and that the Company retain Section 5.c on pages 51I and J of the current Tariff.

Respectfully submitted this 28th day of April, 2015

Daphne Huang
Deputy Attorney General

Technical Staff: Michael W. Morrison

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28TH DAY OF APRIL 2015, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-15-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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